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TAGS: [PGOV](#) [PREL](#) [ECON](#) [MASS](#) [AU](#)
SUBJECT: AUSTRIAN ELECTION FOLLOW-UP: GREENS NOW NUMBER
THREE -- SOCIAL DEMOCRATS BEGIN TALKS TOWARD GRAND COALITION

REF: A. VIENNA 2941

[1](#)B. VIENNA 2924
[1](#)C. VIENNA 2787

[1](#)1. (SBU) Summary: The results of Austria's October 1 elections shifted somewhat with the announcement of the tally of absentee votes on October 9. In the final count, the Greens emerged for the first time as Austria's third strongest party. On October 11, Austrian President Heinz Fischer gave Social Democratic Party chairman Alfred Gusenbauer the mandate to form a governing coalition. The SPO and the People's Party (OVP) will now begin talks toward a Grand Coalition. The issues at stake include the continuation of the Eurofighter contract, university fees, and economic reforms, with the latter being by far the most important on the table. There is unlikely to be a new government before mid-November, while some observers caution that the public's patience will wear thin if there is no new government by Christmas. In the meantime, the current government under Chancellor Wolfgang Schuessel continues in a caretaker mode, with only a provisional budget. Schuessel will lead the OVP's coalition negotiations, but will probably leave public life (at least for now) after that. Early subjects of speculation as the OVP's Vice Chancellor include Agriculture Minister Josef Proell and parliamentary caucus leader Wilhelm Molterer. Rumors of governments other than a Grand Coalition -- such as an OVP-FPO-BZO coalition -- meet with firm denials on all sides, but serve as markers in the negotiations toward a new government. End summary.

FINAL TALLY: GREENS BUMP FREEDOM PARTY FOR THIRD PLACE

[1](#)2. (SBU) On October 9, Austrian election authorities announced the final results of the October 1 election. The addition of almost 260,000 absentee ballots -- about five percent of the total votes -- made a difference. Over 20 percent of absentee ballots went to the Green party. This has pushed the Greens to third place in the vote total, edging ahead of the Freedom Party (FPO). It has also shifted one parliamentary seat from the "Alliance-Future-Austria" (BZO) party to the Greens, putting the latter on a par with the FPO with 21 seats. As a result, the Greens now have a right to expect that they, and not the FPO, will receive the position of Third Parliamentary President -- one of the triumvirate that serves as the formal parliamentary leadership.

[1](#)3. (U) The final numbers are as follows (2006 "provisional" figures refer to the count we reported on October 2):

Party -- Vote Percentage	2006	2006	2002
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(final)(provisional)

Social Democratic Party (SPO)	35.3	35.7	36.51
People's Party (OVP)	34.3	34.2	42.3
Greens	11.1	10.5	9.47
Freedom Party (FPO)	11.0	11.2	10.01
Alliance-Future-Austria (BZO)	4.1	4.2	n/a
Hans-Peter Martin	2.8	2.8	n/a
Communist Party (KPO)	1.0	1.0	0.56
Other	0.4	0.4	

Party -- Seats	2006	2006	2002
	(final)	(provisional)	

Social Democratic Party (SPO)	68	68	69
People's Party (OVP)	66	66	79
Greens	21	20	17
Freedom Party (FPO)	21	21	(see note)
Alliance-Future-Austria (BZO)	7	8	(see note)
Hans-Peter Martin	0	0	n/a
Communist Party (KPO)	0	0	0
Other	0	0	0

(Note: The FPO won 18 seats in 2002. When the BZO split away from the FPO, it took 16 parliamentarians with it. End note.)

Coalition Talks Set

¶4. (SBU) On October 11, Austrian President Heinz Fischer formally commissioned SPO leader Alfred Gusenbauer with the task of forming a government. The SPO party leadership had already authorized Gusenbauer to seek to form a coalition with the OVP. For its part, on October 10, the OVP

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authorized party leader (and lame duck Chancellor) Wolfgang Schuessel to seek agreement with the SPO. Schuessel heads a 9-member negotiating team that consists of most of the party's leading lights.

¶5. (SBU) Most observers believe Schuessel intends to "redeem" himself after his election defeat by driving as hard a bargain as possible in the coalition talks, and then bowing out of public life (at least, for now). The sparring has already begun, and many long-time observers have told us that the atmosphere at this point is as confrontational as they have ever seen it.

¶6. (SBU) The parties have laid down markers on a few hot topics. The most visible issue is the debate over whether the next government should cancel Austria's contract to purchase 18 Eurofighters. The SPO has raised questions about the nature of the contract, with Gusenbauer reiterating at his meeting with Fischer that he has not even seen the contract yet. (Comment: The Eurofighter issue is probably a red herring -- the SPO can use it as a lever on the OVP, and then simply say that the deal the OVP government had cut is such that it would be disadvantageous for Austria to withdraw. To cancel the contract would incur significant penalties in return for no hardware. The next option for Austria to meet its fighter aircraft requirements would be to maintain its existing "interim" solution of leased Swiss F-5's. The prospects of reopening the fighter tender to new bidders are close to nil. End Comment.) Another issue -- this time, one the OVP can use as trade bait -- is the question of university fees. The OVP government had imposed fees of approximately 400 dollars per semester for university studies. The SPO (and the Greens) made this a cause celebre. It would be easy enough for the OVP to give in on eliminating what is really a symbolic fee.

¶7. (SBU) What really matters to the two sides concerns economic reforms. The OVP will fall on its sword to keep the

tax and pension reforms it implemented during the Schuessel government. The SPO might make a run at undoing the reforms, but it will probably settle for a halt to further drastic measures and a halt to privatizations of remaining state-owned companies. In fact, Schuessel's reform program is largely complete anyway. The SPO will therefore come in much as Tony Blair's Labour Party did in the United Kingdom: not really able to turn back the clock on economic reforms, and in a position to benefit from the economic expansion they have helped generate.

In for the Long Haul

¶18. (SBU) The first regular opportunity to install a government would take place on October 30, when the new parliament sits for the first time. However, no one expects the coalition talks to finish by then. On election night, Gusenbauer said the process would take "about six weeks," while Schuessel said it should take as long as necessary. The press and political analysts have set a rather artificial deadline by claiming that the public would start to get impatient if the talks went on into the Christmas break, or past December 22.

¶19. (SBU) In the meantime, Schuessel and his cabinet remain in place as caretakers. They all formally submitted their resignations to Fischer after the elections, and they all received "temporary" commissions to continue working for as long as necessary. In this context, the main problem is the budget. The old government has no authority to propose a budget, and under the Austrian version of a continuing resolution, monthly expenditures cannot exceed one-twelfth of the previous year's budget. Naturally, funds go first into non-discretionary expenditures. That means we cannot expect any extraordinary expenditures for contingencies, such as new assistance missions abroad. Less formally, but equally important, the caretaker government will probably not undertake any new political initiatives.

Who Leads the Junior Partner?

¶10. (SBU) Assuming that the SPO and OVP can form a government (not a done deal, but by far the most likely scenario), Alfred Gusenbauer would be the next Chancellor of Austria. What remains unclear is whom the OVP would choose to serve as Vice Chancellor. Betting now is that Schuessel will bow out rather than return to the jobs he held seven

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years ago as Vice Chancellor and Foreign Minister. Agriculture Minister Josef Proell, long a power in the OVP, may have the inside track to assume the Vice Chancellorship. Under another scenario, Wilhelm Molterer, the OVP parliamentary caucus chief, would get the Vice Chancellorship now, and Proell would serve as a minister in preparation for a run at the Chancellorship in the next election.

Outside Chances

¶11. (SBU) Political analysts still point to the fact that a coalition among the OVP, the FPÖ and the BZÖ remains a mathematical possibility. Schuessel and the rest of the OVP leadership continue to declare that they would not form a government with the FPÖ. FPÖ leader Heinz-Christian Strache is equally vehement that he intends to go into opposition. However, it probably suits Schuessel that rumors continue to circulate that the SPO is not the OVP's only choice -- if only to enable Schuessel to gain leverage in coalition talks with the SPO. In what may be a negotiating tit-for-tat, we have now also started to hear rumors that the SPO would

consider forming a coalition with the Greens and the BZO. It is inconceivable that the SPO and Greens would consider cooperating with the BZO, but this is more likely yet another marker on the table.

McCaw